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FEDERAL HIRE ACT UPDATE

President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act, which is focused on accelerating the hiring of unemployed workers. The act has two main provisions that impact employers, a Social Security tax exemption and a tax credit. The legislation immediately enhances employers' cash flow by permitting employers to retain the employer portion of the Social Security tax ordinarily remitted.

Businesses, agricultural employers, tax-exempt organizations and public colleges and universities all qualify to claim the payroll tax benefit for eligible newly-hired employees.

In summary, eligible wages paid between March 9, 2010 and December 31, 2010 to an employee hired between February 3, 2010 and December 31, 2010 are not subject to the 6.2% employer portion of Social Security tax. The qualified employee must not have been employed for more than 40 hours during the 60 days prior to employment with your company and wages after March 18, 2010 and before January 1, 2011 do not exceed more than \$106,800. Any new hire must certify "by signed affidavit", Form W11 (www.sdppayroll.com/W11_Hire.pdf) by the employee. Though employers need this certification to claim both the payroll tax exemption and the new hire retention credit, they do not file these statements with the IRS. Instead, they must retain them along with other payroll and income tax records (please do not submit these to SDP).

The second provision of The HIRE Act is an income tax credit. Employers that retain these eligible employees for 52 consecutive weeks after they are hired may be eligible to claim an additional tax credit up to \$1,000 for each retained employee on their income tax return.

The IRS has provided a comprehensive list of questions and answers related to The HIRE Act that is being updated regularly as more information is released. Please reference the following sites for additional information:

<http://www.irs.gov/newsroom/article/0,,id=220326,00.html>
<http://www.irs.gov/businesses/small/article/0,,id=220745,00.html>

The social security tax exemption cannot be taken in conjunction with the Work Opportunity Tax Credit (WOTC). In other words, if the employer chooses to take the WOTC on a qualified worker, they cannot also take the social security tax exemption.

SDP is committed to providing the most accurate and up to date payroll and tax filing services. We have enhanced our payroll applications to accommodate this new legislation. If there is anything further you need please feel free to contact SDP 909-946-2032.

The information above is provided solely as a courtesy and should not be construed as legal advice. Please consult your legal counsel for guidance.